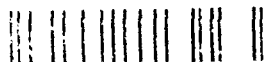


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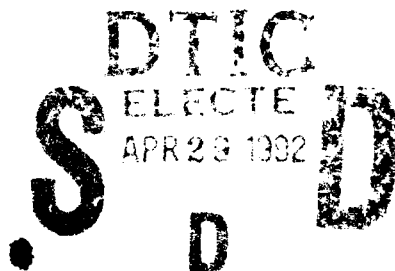
# STUDY PROJECT

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## FUTURE UNITED STATES-JAPAN RELATIONS AND THEIR IMPACT ON AUSTRALIA'S NATIONAL SECURITY POLICY

BY

Colonel Timothy R. Ford  
Australian Army



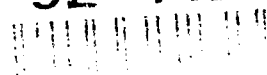
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The paper considers how the region and Australia may react to a conflict between the United States and Japan. It is assessed that such a conflict would significantly hurt Australia, although it could probably survive by expanding its other relationships in the region and the world. The paper concludes that Australia would provide a graduated level of support to the United States, and that its national security policy would be able to respond to such a scenario as it developed in a coherent manner.

AUTHOR'S NOTE: Spelling throughout this paper is in accordance with the Concise Oxford Dictionary (Australian edition), in keeping with the author's national practice.

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FUTURE UNITED STATES-JAPAN RELATIONS AND THEIR IMPACT ON  
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AN INDIVIDUAL STUDY PROJECT

by

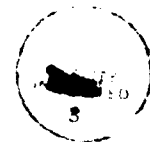
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## ABSTRACT

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Australia's national security policy has undergone considerable refinement and review in recent years. This paper examines the current policy against a remote but dangerous possibility- a future military conflict between the United States and Japan that would erupt in the dynamically emerging Asia-Pacific region.

An analysis of the existing state of the United States and Japan notes that both are at a crossroads. With the successful conclusion of the Cold War, they have the two most powerful economies, yet both have structural problems that will force them to adjust policies and seek new relationships. Some commentators deduce that the relationship between these two powerful nations will deteriorate, and in the extreme scenario result in military conflict.

Australia has strong cultural links to the United States and a close security relationship as a staunch ally. On the other hand, Australia is also developing a more diversified and constructive partnership with Japan. Australia's current national security policy is a multi-dimensional one that includes military, diplomatic, economic, regional assistance and development elements, plus cultural links. Its defence policy is based on the self reliant defence of Australia within a network of alliances and agreements. Recent changes to its Defence force structure and support are designed to meet that policy.

The paper considers how the region and Australia may react to a conflict between the United States and Japan. It is assessed that such a conflict would significantly hurt Australia, although it could probably survive by expanding its other relationships in the region and the world. The paper concludes that Australia would provide a graduated level of support to the United States, and that its national security policy would be able to respond to such a scenario as it developed in a coherent manner.

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## INTRODUCTION

The last five years has seen a considerable refinement and clarification of Australia's national security policy by the current Australian Labor Government. This is documented in a series of Government White Papers, reports and ministerial statements which commenced with the 1986 Dibb Report<sup>1</sup>. These include the 1987 Defence White Paper, the 1989 Ministerial statement on Australia's Regional Security<sup>1</sup>, the 1990 Wrigley Report<sup>1</sup>, and the 1991 Defence Department Force Structure Review<sup>1</sup>.

These statements, which to a fair degree have bipartisan political support in Australia, recognize Australia's geopolitical position in today's world. They highlight the need for Australia to comprehensively engage its own region of primary strategic interest.<sup>5</sup> At the same time, they recognize the need for Australia to continue to contribute to global security and to support the cause of good international citizenship, within the realities of resource constraints.

The process leading to the revised national security policy

has evolved over the last two decades during a period of massive international development, culminating in the recent dramatic changes that have occurred to the world order. It has taken into account the collapse of communism in Eastern Europe and the Soviet Union, the rise in world and regional economic cooperation, and a greater acceptance by the major industrialized nations of their responsibilities to world stability. It also notes the evolving leadership role of both the United States and the United Nations. The resultant Policy, which sees Australia firmly wedded to its own region while still accepting its responsibility to world stability, seems both sensible and pragmatic.

Nevertheless, there are some indicators that Australia's security policy could be severely tested in the next few years by a deteriorating relationship between the United States and Japan. Both these nations are important to Australia. In the post War period Australia has developed a strong alliance relationship with the United States which is supported by close cultural and economic links. Concurrently, Australia has established a bilateral trade relationship with Japan as its major trading partner, while it provides Japan's third highest level of imports in vital resource products.

How then would Australia react to a severe crisis in the United States/Japan relationship? Is its security policy sufficiently flexible to meet such a possibility, however remote?

History continues to surprise the unwary. As evident by the last few years, what appears quite impossible in one decade can be fact some 10 years later. It is therefore reasonable to test a nation's security strategy against the unexpected in the hope that by doing so, the nation is better prepared for changing circumstances should they occur. There appear to be few other scenarios that would offer a greater challenge to Australia than a military conflict between the two leading economic nations of the world, both with significant ties to Australia. Such a clash at the edge of one of the most dynamic and emerging regions in the world could set off a chain of events that would severely threaten the security of Australia and many other nations in the region.

This paper examines this prospect from Australia's perspective. It considers the impact on Australia's security of such a worse case scenario with respect to the future US/Japan relationship, and whether Australia's existing security strategy needs adjustment in light of the findings.

#### **A FUTURE UNITED STATES/JAPAN RELATIONSHIP**

The 50 years that have elapsed since the Japanese attack on Pearl Harbor in 1941 have seen the full range of relationships exist between Japan and the United States. They have progressed from a state of open conflict in the Pacific War through post war Japanese reform under American occupation to a period of friendship



begun by the San Francisco Peace treaty and Mutual Security Pact in 1951. This was followed by a competitive stage that commenced in the 1960s, and which by the end of the 1980s had escalated to the point where many commentators describe the existing relationship as one of economic conflict. Some already predict that this rivalry will develop into open conflict between the two nations during the next century. Organisations studying international security find causes for concern in the relationship. In 1988 the Council of Foreign Relations noted:

" most conferees judged that the major danger (for US/Japan relations) lies in the probability of a gradual erosion of the alliance in recriminations over economic issues, pushing the US towards quasi- isolationism and Japan towards an 'autonomous' military establishment"

Similar concerns are noted in a recent year long study undertaken jointly by the International Institute of Global Studies in Tokyo and the Pacific Forum of the Centre for Strategic and International Studies in Honolulu. They note that:

"...Without understanding and accommodation these (US/Japan) differences will surely generate deeper misunderstandings and emotional reactions across the Pacific, with disastrous consequences not only for the two nations but also for all mankind."

The reasons why such a strained relationship has developed between these two great nations are complex. They are linked to the national strategy and geopolitical situation of the two nations, the changes that have occurred to the world order over the last 50 years, and the associated security agreements and alliances which developed during the cold war. They are also associated with the growth and globalization of the major industrialized economies.

and the different domestic culture and political structure of both countries. The processes affecting the development of the relationship have been accentuated by the uncertainty remaining after the collapse of the Soviet Union and communism in Eastern Europe.

What then is the state of these two nations today? The United States is a superpower. It has a large educated population of some 256 million, secure borders, the largest economy in the world, and a powerful and mobile military that includes a Navy that can control the world's vital sea lanes. In addition it possesses a huge nuclear arsenal and has access to most of the critical resources that are required for massive mobilization if necessary.

At the same time, the United States is beset with a range of social, economic, and political concerns that result from a lack of equilibrium over the last decade between its foreign and domestic policies. Just when its international policy aims are close to being realized, and the world is looking towards the United States for leadership and guidance in a new era, the internal structure of the nation required for it to effectively undertake such a role is weak and in need of reform. Indicators of this breakdown can be seen in decay of the national infrastructure such as public housing, transportation means and essential services particularly in urban areas; by the increase in poverty predominantly amongst children and young adults; and in an escalating health bill which

does not even provide universal cover. It is evident by the lack of welfare support to many, especially amongst the poor and minority groups, a rise in the permanent level of unemployed, and an increase in social disorder.

It is not the purpose of this paper to analyse the causes of this decline, but they appear to revolve around the huge national debt allowed to suddenly accumulate over the last decade, based on increasing consumption versus declining productivity and savings. This has been exacerbated by a disproportional allocation of welfare entitlements, a decline in domestic investment, and an inadequate educational system. As one commentator has noted "the most visible legacy (for the US) of the 1980s appears to be the massive debt it has forced on the next generation". The policy changes necessary to remedy these problems will particularly impact on the trade balance with Japan and are likely to further increase the rivalry between the two nations.

Japan on the other hand is a rising power located in a rapidly developing and changing region which could prove to be the critical one for world stability in the next two decades or so. Today Japan has the world's second largest economy next to the United States. With a technically well educated population of some 123 million, it has established a virtual monopoly in a number of critical manufacturing industries, and become the world's largest lender. As a nation it has wisely developed its own modern infrastructure

and undertaken major direct and indirect foreign investment in overseas industrialized and developing countries. In this respect the United States has been one of its main targets. In addition Japan has a large and sophisticated Self Defence Force which is capable of rapid expansion and which in 1990 was supported by the third largest defence budget in the world.

But Japan also has its vulnerabilities. As a nation it consists of a small homeland with few natural resources and a homogeneous but ageing population. It is surrounded on all sides by countries with which it has no strong bonds of friendship. It is critically dependant on imports, particularly energy and minerals, to support its industry and it must continue to expand its exports to new world markets to maintain its economy. As such it is reliant on freedom of access to the world's sea lanes.

This state then sets the scene for the course of the future relationship between the United States and Japan and their impact on the world. Japan sits at the dawn of a new era facing its most significant challenge in the post war period. It has developed an economy that cannot be supported by its domestic market alone and must continue to compete internationally to survive. Unless there is a successful breakthrough in the Uruguay trade negotiations, Japan's historical post war markets in Europe and the United States may decline due to the creation of an European trading bloc that is more internally focused, and US domestic pressure to close some

markets in the US. Japan will therefore need to seek new markets for its exports if it is to maintain growth. An analysis of world trade trends quickly identifies that the most likely areas Japan will turn to will be the adjoining regions of east Asia, and the Pacific and Indian Ocean rims. This includes the huge potential markets of China, India, Vietnam and Indonesia. This in turn will cause Japan to adjust its existing foreign policy and more aggressively develop its involvement in these regions.

At the same time Japan must secure its source of imports. At present Japan imports by sea over 99% of the mineral ores and over 96% of the mineral fuels necessary to sustain its industry. Much of these minerals come from three main sources. Some 47% of the imports come from the Indian Ocean basin, currently mainly crude and refined oil from the Persian Gulf. Some 36% come from the Western Pacific, principally Australia, and about 10% come from the United States and Canada. Japan has control over some commodities by virtue of her investments or positive trade relationship with developing countries. But, it is most vulnerable to the fact that a range of critical imports come from a few relatively wealthy countries, and that much of its trade must pass by sea through critical sea straits in South East Asia. Japan's policy in the future might be to lessen these vulnerabilities by reducing the level of critical imports from countries such as Australia. Additionally, it may see security in developing its capacity to physically or politically ensure the flow of imports.

To maintain economic development Japan will need to diversify its market and make it suitable for the regional demands. As it does so it will need to compete with other exporters, not only those from the United States and the European regions but also the other emerging industrial powers in Asia of South Korea, Singapore, Hong Kong and Taiwan with similar export targets. The result will be increased rivalry between Japan and both regional and global powers, with the possibility of increased mutual hostility.<sup>18</sup> This could intensify the need for Japan to be able to influence the region not only economically but also through political and military means, and to take those actions necessary to demonstrate that it should be regarded as the region's natural leader.

In this respect Japan already possesses strong political influence and an impressive defence structure capable of being rapidly expanded into a powerful military force. Japan is an important inaugural member of the G-7 Summit of major industrial democracies and at present the only "non-European" voice at this increasingly strategic forum. In addition Japan is seen as a key member of the United Nations. For several years now proposals have been floated that Japan should occupy a permanent seat on the United Nations Security Council. These have emerged again in light of the increased role now envisaged for this body in the post Gulf war period.

On the military side Japan has been restrained to a great

extent in the past by the debate surrounding interpretation of its post World War II constitution. In addition the protection provided by the United States under the Security Pact has allowed Japan to limit the development of its Self Defense Forces. As a result Japan now possesses a relatively small but highly professional, efficient and well equipped self defence force with a substantial potential for rapid expansion. In recent years there has been some pressure on Japan to develop the role of these Self Defence Forces to assist international security. Despite support from the Japanese government, all attempts so far to pass legislation authorizing any overseas deployment of Japanese ground self defence forces, even on peace-keeping missions under United Nations auspices, have been unsuccessful<sup>11</sup>.

Nevertheless, the growing capability of Japan is already causing some disquiet amongst regional neighbours who cannot yet forget Japan's actions in the Second World War<sup>12</sup>. Even young Koreans and Chinese display an intense hostility towards the Japanese, and see the continued presence of the United States in the region as a guarantee of stability<sup>13</sup>. The following opinion, written by a Japanese diplomatic correspondent, is typical of the concern expressed in several recent articles:

"Japan's new nationalistic thrust, though still amorphous, may gather momentum and run a dangerous course if not soon checked or addressed"<sup>14</sup>

What then will be the response by the United States to the emerging Japanese power? Some would argue that in many respects

the course is set already. Public opinion in the United States expects Japan to accept a greater responsibility for international security, especially in the Asia Pacific rim now that the world threat from the USSR has gone. But it also expects Japan and the rest of the world to assist in the recovery of the US economy by opening up free market access as repayment for the debt it perceives the world owes the US for winning the Cold War. Japan is therefore seen as a future auxiliary, but junior partner in the global commitment.

To achieve economic recovery however, the United States will need to initiate policies at home that may force some Japanese goods out of the US domestic market and reduce access to the rest of the North American market. To achieve economic security, Japan will continue to diversify both its markets and sources of supply, outflanking the US in the process and reducing US access to the emerging markets. The extreme scenario that could result in the worst case is portrayed at some length in a recent book published in the US titled "The Coming War with Japan" which describes the process as follows:

" Rising Japanese economic power in Asia and the western Pacific, occurring in the context of increasing economic tension between the two countries, will inevitably be seen by the American side as a hostile action designed to limit American influence in a region where the US has legitimate rights, particularly in the wake of its victory on 1945....the fundamental American need to dominate the Pacific will clash with the Japanese need to secure its markets and resources. ... Thus, inexorably, the economic conflict will become a political conflict and the political conflict will become military."<sup>15</sup>



Such a scenario is considered by most commentators as extremely unlikely to occur, and indeed both nations and the world will be striving to avoid such a possibility. Nevertheless, it is not beyond comprehension, and would indeed create a severe test for the foreign policy of many nations particularly in the Asia Pacific area. It is against such a scenario that this paper examines Australia's security policy.

## **AUSTRALIA'S RELATIONSHIP WITH THE UNITED STATES AND JAPAN**

### **Australia-United States**

Australia has a firm and friendly relationship with the United States that has developed throughout this century and particularly since 1942. This relationship of an evolving middle power<sup>16</sup> strategically located in the Asia Pacific region with an established superpower, has matured over the last two decades into one of substance. It is a relationship that embraces not only a security alliance but also historical, commerce, and cultural ties. Each side reaps benefits from the relationship.

The relationship includes a strong military basis with the United States recognising Australia's "special relationship as a steadfast ally and key Pacific partner"<sup>17</sup>. Australia has acknowledged the importance of its alliance with the United States such as in the 1987 Defence White Paper<sup>18</sup>. Australia's position as the United States only formal ally in the SW Pacific straddling

the Indian and Pacific Oceans is important strategically, and the bilateral relationship between the two defence forces is strong. In addition a number of joint facilities have been established in Australia which continue to contribute to global security by providing nuclear warning and arms control input.

Australia also recognizes the need for a continued United States military presence in the region. A recent statement by the Australian Prime Minister noted "that the foundation of security as the (Asia-Pacific) region evolves is the continued engagement of the United States in the Western Pacific"<sup>19</sup>.

The two countries have a strong bilateral economic relationship. The United States is Australia's second largest trading partner, after Japan, supplying almost 25% of imports and taking over 11% of Australia's exports. In light of the US trade deficit this two to one trade balance in favour of the US is significant. Australia has also been a top cash customer for US defence equipment in recent years. Additionally, both countries have significant foreign direct investment in the other<sup>20</sup>.

It is in the interests of both nations that this close economic relationship be maintained. The current trade differences that have arisen with respect to US protectionist policy for farmers should not be allowed to escalate. A positive outcome to the Uruguay trade negotiations will help reduce world trade

tension. The prospect is that the bilateral economic relationship should develop further as the US looks to expand its overseas markets.

Both countries also gain from the close political relationship. The US can assist Australia's security with its strong influence in a range of major international forums. At the same time, Australia is seen as an independent, active and influential middle power in other world forums. In these Australia can often initiate and negotiate proposals that will be beneficial to the US with more credibility than a major power.

Finally the alliance is strong because Australia and the United States share many important values and interests. Cultural similarities also help to reinforce the economic and political ties. Both nations believe in similar objectives of democracy, freedom and human rights. As such, the bilateral relationship is likely to endure any differences that may arise through the exercising of independent policies of sovereign nations.

#### **Australia-Japan**

Until recently Australia's relationship with Japan has been dominated by bilateral economic trade. For over two decades Japan has been Australia's largest market, with Australia providing much of the essential minerals and energy resources discussed earlier that are required to sustain Japan's industry. In response one

third of Australia's imports are Japanese manufactured items. While this trade basis will continue, efforts are now being made to develop a more diversified and constructive partnership that includes regional security and development matters as well as an expanded trade basis. This development is being supervised by an Australia-Japan Ministerial Committee that meets biennially. This Committee has considered amongst other proposals such concepts as the Multi Function Polis, a high technology suburb planned as a joint project in Adelaide.<sup>11</sup>

The development of the relationship extends beyond the Government level. The public of both countries are also involved through greater cultural exchange, education and tourism. As memories of Japan's actions against its neighbours during World War II fade, understanding between the two nations is likely to continue to improve. The level of mutual public interest is indicated by the high number of Japanese now visiting and living in Australia, and by the fact that a higher proportion of Australian school children are now learning the Japanese language than in any other country.

The development of a constructive partnership between the two nations recognises that each can offer something to the other, and provide a stable democratic "anchor" at the north and south of the Asia-Pacific region. Recently Australia has encouraged Japan to assume a greater international role, including increasing its

support to the United Nations, and participating more positively in world environmental problems and multilateral trade negotiations. In September 1990 the Australian Prime Minister publicly supported the opinion that Japan should become a permanent member of the United Nations Security Council.

Australia will continue to press for a deeper development of the bilateral relationship, while recognising that at the same time Japan may wish to reduce its reliance on Australian resource exports. Although there are plenty of other influences that could impact on the bilateral relationship, the relationship is likely to expand and remain friendly and generally cooperative. Of importance to the relationship, and to the region as a whole, has been the successful development of the Asia Pacific Economic Cooperation (APEC) process. This was noted as follows in a recent statement by the Australian Minister for Foreign Affairs and Trade:

"In all of this, Japan's policy cooperation with Australia has been very close, and it is crucially important, not just for the health of the region but the global economy, that this perspective continue."<sup>11</sup>

## **Australia's National Security Policy**

### **Existing Policy**

As outlined in the introduction to this paper, Australia's national security policy has undergone considerable refinement and review over the last few years, and is now clearly enunciated. The factors that influence a national security policy such as military

capability, effective diplomacy, and economic strength and trade, are well recognised by Australia. These have been built into a set of relationship within Australia's region of primary strategic interest that are designed to minimise the likelihood of conflict.

Australian government statements in recent times recognise that an effective security policy for Australia should be a multi-dimensional one:

"... one in which all the components of Australia's network of relations in the region - military and politico-military capability; diplomacy; economic links; assistance with development and so-called 'non-military threats'; and the exchange of people and ideas - work together to help shape a security environment which is favourable to Australia's interests."<sup>1)</sup>

This was initially outlined in the December 1989 Statement by the Minister for Foreign Affairs and Trade which adopted the two main policy themes of a 'comprehensive engagement' with the countries of the South East Asian region, and a 'constructive commitment' to the nations of the South West Pacific region. Since then these themes have continued to be espoused by the government, without any serious challenge in Australia, as being relevant in the 1990s.

One of the principal tenets of this policy is the acquisition and maintenance of a military capability, which rather than being dependent on allies as in the past, is self reliant for the defence of Australian territory and its maritime jurisdiction. To clarify this requirement a detailed analysis of the existing and planned capabilities of the Australian Defence Force (ADF) has been

undertaken. This commenced with the 1986 Dibb Review and was further developed by the 1990 Wrigley Report and the 1991 Force Structure Review. As a result a ten year Defence development plan is now agreed that accords with strategic and financial guidance. This plan proposes adjustments to the Defence procurement program and the force structure of the ADF, and places greater emphasis on joint operations and the use of commercial support and the civil infrastructure. Key principles of the restructuring include:

"a. Maximising combat capabilities by reducing the numbers of service personnel involved in headquarters and base functions; and by using commercial support and maintenance where operationally feasible, practicable and cost effective;

b. Meeting the strategic focus on northern and western operations by extending western basing for the Navy and northern basing for further major Army units, and enhancing the forward deployment of the Air Force; and

c. Making greater use of reserves, including a new form of reserve service, the ready reserve, to supplement the current reserve forces of each Service, while maintaining the required overall force readiness."<sup>14</sup>

The resultant ADF capability is seen as more sustainable. Together with proposals to develop Australia's Defence industrial sector and to enhance its civilian support infrastructure, this should ensure that Australia will be better prepared to deter, and if necessary defeat aggression against Australia.

For Australia, the policy of defence self reliance will still be set within a framework of alliances and regional associations. The close bilateral relationship with the United States and New Zealand will be retained, and other regional associations will be

developed. The support these give is seen as relevant not only to the defence of Australia, but also to the security of the region as a whole.<sup>15</sup> By being a stable democratic nation possessing significant military power within a framework of alliances and agreements, Australia provides a secure flank to both the South East Asia and the Pacific regions.

The other tenets of Australia's national security policy included in the multi-dimensional approach are diplomacy; trade and investment links; regional economic and social development assistance; assistance with problems such as environmental concerns, narcotics traffic and refugees; and promoting cultural exchange. These all contribute to a sense of shared regional security.

Over the last few years, Australia has also been placing emphasis on developing better dialogue between the various nations of the Asia-Pacific region. There has been some success with this approach on the economic front with the Asia Pacific Economic Co-operation (APEC) process linking economic planning between Asian and Pacific nations. APEC has the objective of enhanced co-operation between all the nations of the region to sustain growth and development, and in this way contribute to the growth and development of the world economy. The grouping envisaged under APEC is much wider than an alternative proposal to develop an East Asian trading association, and also includes the United States,



Japan and the Pacific nations. Such a process can lessen the trade tensions both within the region and with other trading blocs.

A further step in regional dialogue occurred at the July 1991 ASEAN Post Ministerial Meeting with the discussion of a number of Confidence Building Measures (CBMs) that are considered feasible and desirable in the shorter term. Such CBMs include expanding existing bilateral 'incidents at sea' agreements, greater transparency of military arrangements and exercises, arms control measures, enhanced surveillance and security of sealanes, and agreement on environmental security.<sup>16</sup>

The latest indicator of improved regional cooperation is the development of the Asia Pacific Parliamentary Forum (APPF) which is designed to assist the resolution of regional differences through dialogue. Following a number of preliminary meetings, members of 15 regional parliaments agreed a Memorandum of Understanding in Canberra in December 1991. This endorsed the formation of the APPF and an inaugural meeting is proposed for later this year<sup>17</sup>.

There is also some support for this dialogue to extend further into other regional concerns, and in due course perhaps evolve into a more formal 'Council for Security and Co-operation in Asia-Pacific'.<sup>18</sup>

#### Reaction to US -Japan Conflict

In summary, Australia's national security policy appears to be well developed and recognise the various components that can contribute to its effectiveness. As a multi-dimensional policy that is being actively pursued, it appears to be well placed to react to world and regional changes. How would it then respond to an emerging conflict between the United States and Japan?

Clearly there would be indicators to any severe break in US-Japanese relations and resultant consequences for other regional relationships. As discussed early, many nations in the region, especially in northeast Asia, are fearful of a rise in Japanese power and any reduction in the US presence. The smaller nations are also wary about the future intentions of the other emerging Asian powers of India and China, and in due course possibly Vietnam Korea and Thailand. All nations in the region have at least economic links to both the US and Japan, and would suffer to varying degrees by taking a side in the dispute. Nations will be torn between their regional ties, their economic interests and their traditional alliances. It seems likely that most nations would try to remain relatively neutral, and attempt to survive by strengthening their other regional and world ties and diversifying their markets.

This seems the sensible path for Australia to follow as well. Australia would suffer economically and no doubt receive great pressure from both sides to provide support to them. The question

is whether Australia would be able to resist such pressure and remain neutral. Before such a situation could arise Japan would need to have further significantly diversified its import dependency from Australia, and while Australia's trade with Japan is important, it is not considered crucial.<sup>19</sup> Similarly Australia's economic links with the United States, which as described earlier are strong and important, are also not on their own crucial to survival.

But together these two trading partners account for some 38% of Australia's exports and 43% of imports. Although this may be reduced in the future, a loss of both markets in a short period of time would result in a massive recession in Australia, an immediate drop in the standard of living of every Australian and a major domestic political backlash. Australia would also need to consider the economic effect of its alignment on its remaining markets which would become more important. The government would need to spread any loss of trade over its other significant trading partners in Europe (particularly the United Kingdom), the rest of North East Asia, ASEAN and Pacific Forum countries in the region. All of these nations would have their own policy on the conflict with resulting trade adjustments which would further impact on the decision.

Recent foreign policy statements indicate that Australia does consider vital to its long term interests the evolving links to the

region, and its need to retain credibility with respect to its commitment to its regional partners. The emergence of such a scenario would therefore drive Australia to strengthen further its regional links, and to encourage dialogue and security assurances between the other nations of the region. Australia's position would be influenced by the extent to which a regional security dialogue had matured, and how the role of world bodies and particularly the status of the United Nations had developed. At the same time, it would try through its 'good offices' in both nations and world bodies, to lessen tensions between the United States and Japan and initiate resolution of differences.

The Australian government would need to consider the political impact of the stance it adopted on the dispute, taking into account domestic, regional and international concerns. It would need to balance that against its credibility as an independent middle power. The desire for long term national goals that can survive change is the basis of the current multi-dimensional approach to Australian national security which includes a defence policy that focuses on the self reliant defence of Australia. This has been described by the Australian Prime Minister as giving the existing policy "stability and durability, whatever is happening elsewhere in the world, and however rapidly that change may take place."

Finally Australia would need to consider the military realities of the situation. These include the future military

capability of the two belligerents, its own capability and Australia's obligations under the ANZUS Treaty. The likelihood is that even under such a scenario, the United States would still have a strong maritime capability and the nuclear deterrent. Current US policy is to strengthen its ties with nations in South East Asia (particularly Singapore and Indonesia) and in the Indian Ocean that border the critical sea lines of communication (SLOC) between the Persian Gulf and the United States. These SLOC also control Australia's trade routes.

The United States - Australian commitment through ANZUS remains intact and has been confirmed by both nations recently. Article 3 of the ANZUS Treaty requires that 'the Parties will consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific.' There is little doubt that the United States would evoke the Treaty if a conflict with Japan was likely.

The Australian Government has previously tried to imagine how the United States might respond under ANZUS if Australia was threatened. It has assumed that there would be a graduated response by the United States, commencing with diplomatic support, followed by logistic and materiel support and if necessary direct military support. In such a situation, Australia could initially work with world bodies and the region to collectively avert conflict. This

would perhaps be followed by economic action in the form of sanctions or restriction on specific imports to Japan, particularly those that assist its military capacity. This could include economic support to other nations suffering from the imposition of sanctions against Japan. If war broke out, Australia could perhaps best support the United States by providing base support to its military, or patrolling with our neighbours the adjacent SLOC.

The obligation to provide such support would result in Australia not being able to remain neutral. Therefore Australia would need to consider the further possibility of direct military action against Australia's interests, and its ability to defend its sovereignty. This is when the real test of the current multi-dimensional security policy would occur. The alternatives are to either revoke the ANZUS Treaty before or during the build up of hostilities between the United States and Japan. Such an action would be seen as hostile by the United States, and have major repercussions on Australia's trade and political links. It would be contrary to the policy espoused by Australian Governments of all persuasions over the last decade, and unacceptable to the Australian public<sup>11</sup>.

Tested against such an extreme possibility then, Australia's present multi-dimensional approach to a national security policy seems sensible. It places most emphasis on Australia developing the best possible relationship with the nations in its own region

of primary strategic interest, particularly the adjacent nations of South East Asia and the Pacific. At the same time it accepts that Australia needs the capability to defend its own territory against credible threats, but retain the alliance with the United States as an assurance against uncertainty.

### SUMMARY

Australia's national security policy has undergone considerable refinement and review in recent years. This paper has examined the current policy against a remote but dangerous possibility- a future military conflict between the United States and Japan that would erupt in the dynamically emerging Asia-Pacific region.

The analysis of the existing state of the two nations notes that both are at a crossroads. With the successful conclusion of the Cold War, the United States remains the strongest, if not the sole superpower. Yet internally the nation is beset with many structural, social and economic problems that will force it to adjust policies and seek new relationships. Japan on the other hand is a major economic power that is expanding its international status, but it also has severe structural economic and diplomatic problems that will drive it to adjust markets and policies. Some commentators deduce that in the new world order the relationship between these two powerful nations will deteriorate, and in the extreme scenario result in military conflict.

Australia has developed a close relationship with both the United States and Japan since the Second World War. Significant trade links exist between Australia and both nations. Australia also has strong cultural links to the United States and a close security relationship as a staunch ally. The continued presence of the United States in the Pacific region is considered by Australia as fundamental to its future security. At the same time, Australia is also developing a more diversified and constructive partnership with Japan as part of its engagement with the Asian region.

Australia's current national security policy is a multi-dimensional one that includes military, diplomatic, economic, regional assistance and development elements, plus cultural links. Its defence policy is based on the self reliant defence of Australia within a network of alliances and agreements. Recent changes to its Defence force structure and support are designed to meet that policy. Additionally, Australia is encouraging dialogue in the region through associations such as the APEC and APPEF process.

Finally the paper considers how the region and Australia may react to a conflict between the United States and Japan. It concludes that Australia's current security policy is designed to have durability and be able to respond to change, even one as dramatic as this. It is assessed that such a conflict would significantly hurt Australia, although it could probably survive by



expanding its other relationships in the region and the world. Nevertheless, for a number of economic, political and military reasons, it appears unlikely that Australia would adopt a neutral stance in such a scenario. The paper concludes that Australia would provide a graduated level of support to the United States, and that its national security policy would be able to respond to such a scenario as it developed in a coherent manner.

## END NOTES

1. Dr Paul Dibb, a Defence analyst, was appointed in 1985 by the then Minister for Defence, Mr Kim Beazley, to examine the future capabilities required in the Australian Defence Force, thereby breaking an impasse that had developed between the civilian and Services. His report was widely discussed and became the basis of a Defence White Paper, "The Defence of Australia 1987" (referred to as DOA 87 in subsequent notations) which has since provided the overall approach to current Australian defence planning.
2. On 6 December 1989, the Minister for Foreign Affairs and Trade, Senator Gareth Evans, QC tabled a major foreign affairs statement titled "Australia's Regional Security". This paper developed a multidimensional approach to regional security and firmly identified the need for Australia to participate more fully as a partner in its own region. (This document will be subsequently referred to in notations as 1989 Min FA).
3. The Wrigley Report is a comprehensive examination of the relationship between the Australian Defence Force and the community. The report was undertaken by Mr Alan Wrigley, a special adviser to the Minister for Defence, and tabled in June 1990. It examines historical and emerging trends in the relationship between the military and the community in the defence of Australia, and recommends significant adjustments in the provision of forces and support to the ADF.
4. A force structure review of the ADF against the priorities identified in the 1987 Defence White Paper was completed in May 1991. It examined the existing and planned force structure for the 1990s taking into account subsequent changes to strategic priorities and the resource environment. (In future notations it will be referred to as 1991 FSR)
5. Australia's region of primary strategic interest has been defined to include South-East Asia, the South-West Pacific and the East Indian Ocean. Political, economic and military developments in this region are considered to be of fundamental concern to Australia.

6. See Francis McNeil, Seizaburo Sato. "The Future Of US-Japanese Relations. A Conference Report". Council of Foreign Relations. New York. 1989, p 15.
7. This study was chaired by Jimmy Carter, President of the United States 1977-81 and Yasuhiro Nakasone, Prime Minister of Japan 1982-87. See "Ensuring Alliance in a Unsure World". The Washington Quarterly. Winter 1992, p 43.
8. See Robert Hormats, "The Roots of American Power". Foreign Affairs, Summer 1991, p .
9. See an article by Clay Chandler, titled "the Hard Line" in the Wall Street Journal, 20 September 1991. Since 1987 Japan has been the world's biggest aid donor to the Third World. In 1989 Japan allocated almost \$9 billion in development assistance.
10. Wilborn, Thomas L. "How Northeast Asians view their Security." USAWC Strategic Studies Institute. August 1991, p 66-67.
11. A proposal by the Japanese Cabinet to pass a Bill that would permit the participation by army troops in United Nations peacekeeping operations was unsuccessful in December 1991.
12. Djiwandono, J Soedjati. "the Security of Southeast Asia in a Changing Strategic Environment: A View from Indonesia." The Indonesian Quarterly. Third quarter, 1991, p 251.
13. Wilborn, p 65-66.
14. See Yoichi Funabashi. "Japan and the New world order". Foreign Affairs. Winter 1991/92, p71.
15. See George Friedman and Merideth Lebard, "The Coming War with Japan". New York 1991, pp 393-395.
16. There is no agreed criteria to define a middle power. It depends on the balance between GDP and population, and perhaps military capacity and physical size. It also involves world perception. Australia has the third largest economy on the Asia Pacific region with a GDP equal to India or all six ASEAN countries combined. These descriptors, plus its influential position in a wide range of world bodies classify Australia in the 12-20 nations generally considered to be middle powers.
17. See The National Security Strategy of the United States. The White House, Aug 1991, p 9.
18. See DOA 1987, p 1.

19. Included in the Asia Lecture titled "Australia's Security in Asia: the strategic relationship", delivered by Bob Hawke on 24 May 1991. The Monthly Record. Australian Department of Foreign Affairs and Trade, May 1991, p 199.
20. A report in The Bulletin, 7 Jan 1992, notes that US direct investment in Australia is \$51.6 billion and Australian investment in the US is almost \$34 billion.
21. This project has been in progress for four years. It involves the development of a suburb, with international support, in which the working and living environment will encourage new thinking about how high technology industry and leisure can be united.
22. Included in an address by Senator Gareth Evans to the Canberra Colloquium, "Australia-Japan in Asia and the World: Looking Ahead". The Monthly Record. Australian Department of Foreign Affairs and Trade. July 1991, p 383.
23. Gareth Evans and Bruce Grant. Australia's Foreign Relations in the World of the 1990s. 1991, p 107.
24. 1991 FSR, p 1.
25. 1989 Min FA, p 17.
26. These are described in more detail in an Address by the Minister for Foreign Affairs and Trade on 31 July 1991. See The Monthly Record. July 1991, p398.
27. Outlined in an article by David Connolly, the author of the Australian discussion paper on the APPF in "Bridge over Troubled Waters". The Bulletin. 21 Jan 1992, p 33.
28. This subject was discussed briefly at the ASEAN Post Ministerial Conference in Jakarta in July 1990.
29. Friedman and LeBard, pp 169-182.
30. Address by the Prime Minister, Mr Bob Hawke, to the 76th national congress of the RSL on 2 Sep 91.
31. Despite the ANZUS crisis between the United States and New Zealand, the Australian public still overwhelmingly supports ANZUS. See Frank Donnini, ANZUS in Revision, 1988, p 34.

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